

## Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 IGA-01 /084 W

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R 100730Z APR 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1050

INFO AMEMBASSY JIDDA

AMEMBASSY LONDON

S E C R E T MUSCAT 440

E.O. 11652: GDS

TAGS: EFIN MU SA UK

SUBJECT: OMANI FINANCIAL CRISIS

REF: MUSCAT 365

SUMMARY. EXISTING FINANCIAL BIND HAS ENTERED APRIL WITHOUT  
DENOUEMENT, BUT WITH OMANI GOVERNMENT TAKING SOME STEPS THAT  
MIGHT CUT BACK OR ATLEAST SLOW DOWN EXPENDITURES, AS WELL  
AS NEGOTIATING NEW CREDIT ARRANGEMENTS. OMANIS ALSO ARE MAN-  
EUVERING FOR SAUDI HELP. END SUMMARY.

1. WE HAD OPPORTUNITY TO READ SLIGHTLY REVISED MEMCON OF  
SULTAN QABOOS' MARCH 17 MEETING WITH BRITISH BANKERS REPORTED  
REFTEL. REVISED VERSION, WHICH DIFFERED FROM EARLIER ONE  
MAINLY BY STATING SULTAN'S AGREEMENT WITH THEIR RECOMMENDATION  
THAT OMANGOV RESERVES SHOULD BE EXPANDED AS BULWARK AGAINST  
POSSIBLE B/P DIFFICULTIES AND GROWTH IN IMPORTS, WAS ATTACHED  
AS ENCLOSURE TO MARCH 20 LETTER ADDRESSED TO BRIT BANKERS FROM  
FINANCIAL AFFAIRS COUNCIL (SIGNED BY ZAWAWI).

2. THIS LETTER, BESIDES THANKING BRITS FOR THEIR MARCH REPORT  
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AND INVITING THEM TO SUBMIT BILLING FOR IT, MADE FOLLOWING

POINTS:

A. SOLICITED THEIR RECOMMENDATIONS FOR A LEADING INTERNATIONAL ACCOUNTING FIRM, PREFERABLY OF AMERICAN NATIONALITY OR AN AFFILIATE OF U.S. COMPANY, TO SERVE AS OFFICIAL GOVERNMENT ADVISERS. (NOTE: ARTHUR ANDERSON MAY NOT HAVE INSIDE TRACK AFTER ALL.)

B. AUTHORIZED BRIT BANKERS TO NEGOTIATE ON GOVERNMENT'S BEHALF WITH BAC AND WITH EXPORT CREDIT GUARANTEE DEPT IN LONDON TO STRETCH OUT AND OBTAIN CREDIT TERMS FOR BAC AIR DEFENSE CONTRACT.

C. STATED THAT SULTAN'S LAWYERS, SPEAR AND HILL, CURRENTLY ARE ACTIVELY STUDYING FEASIBILITY OF STRETCHING OUT AND/OR REDUCING COSTS OF SEVERAL OTHER (UNNAMED) DEVELOPMENT CONTRACTS, AFTER WHICH BRIT BANKERS' ASSISTANCE WOULD BE DESIRED SIMILAR TO (B) ABOVE.

D. DECLARED THAT FINANCIAL AFFAIRS COUNCIL IS WORKING "AS FAST AS HUMANLY POSSIBLE" TO PREPARE REVISED 1975 BUDGET AND A PROPOSED 1976 BUDGET, WHEREUPON BOTH WOULD BE SUBMITTED TO BRIT BANKERS FOR THEIR COMMENTS.

3. COMMENT. WHETHER ALL THIS IN TIME WILL LEAD TO SIGNIFICANT SAVINGS, AND WHETHER IT WILL SATISFY GOVERNMENT'S MAIN CREDITOR, BBME, WHO DURING APRIL MUST DECIDE HOW MUCH OF ITS HUGE OUTSTANDING ADVANCE TO ROLL OVER AT THE END OF APRIL, IS STILL ANYONE'S GUESS. MEANWHILE VARIOUS OMANI REPS ARE UNDERSTOOD TO BE CONTINUING TO WORK ON UPPER LEVEL SAUDI OFFICIALDOM IN HOPES OF SUBSTANTIAL LARGESSE FROM THAT SOURCE. (WE DO NOT KNOW IF OMANIS HAVE RECEIVED ANY COMMENTS FROM CHASE MANHATTAN BANK ON ALL THIS IN RECENT WEEKS.)  
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